

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-03 H-02 INR-07 L-02

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06

AID-05 COME-00 EB-07 FRB-03 TRSE-00 XMB-02 OPIC-03

CIEP-01 LAB-04 SIL-01 OMB-01 INT-05 /087 W

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R 231610Z APR 75

FM AMAMEMBASSY LIMA

TO SECSTATE WASHDC 4850

LIMITED OFFICIAL USE LIMA 3334

EO 11652: N/A

TAGS: EGEN, EINV, PE

SUBJECT: DEVELOPMENTS IN SOCIAL PROPERTY SECTOR

REF: LIMA 1653

1. ON APRIL 19, GOP INAUGURATED PERU'S FIRST SOCIAL PROPERTY ENTERPRISE "NORMETAL EPS". THIS COMPANY WILL PRODUCE SPECIAL POWER TRANSMISSION TOWERS FOR DOMESTIC CONSUMPTION. THE PRESIDENT OF THE NATIONAL SOCIAL PROPERTY COMMISSION, ING. ANGEL DE LA CASAS GRIEVE, SWORE IN THE NEW PLANT'S MANAGERS AND EMPLOYEES IN A CEREMONY IN CHIMBOTE APRIL 19. "NORMETAL EPS", WITH A CAPITAL OF \$4.5 MILLION, AND A WORK-FORCE OF 178 PERSONS, IS THE FIRST EPS TO GO INTO OPERATION, AND WILL USE EQUIPMENT AND SPACE OBTAINED FROM THE "CORPORATION PERUANA DEL SANTA", THE FORMER STEEL-IRON ORE COMPLEX OF THE GOP.

2. ON APRIL 23, THE OFFICIAL GAZETTE ALSO ANNOUNCED THAT "MANAGEMENT COMMITTEES" FOR FIVE NEW EPS WILL BE SET UP SHORTLY. THESE COMPANIES INCLUDE: "MADERAS INAMBRI" (A WOOD PROCESSING PLANT TO PRODUCE WOOD PRODUCTS AND RAILROAD TIES) NEAR CUZCO; AN ALUMINIUM TUBE PLANT FOR LIMITED OFFICIAL USE

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THE PRODUCTION OF REFRIGERATOR COOLING SYSTEM COILS IN TRUJILLO; THE "PERUVIAN ELECTRONIC COMPLEX", AN ELEC-

TRONIC PLANT IN ARQUIPA; "NEUMATICOS ANDINOS EPS", A TIRE PLANT IN TACNA; AND "TEXTILES PIURA", A PLANT FOR THE PRODUCTION AND SALE OF COTTON PRODUCTS IN PIURA.

3. COMMENT: THE CREATION OF "NORMETAL" DREW HEADLINES FROM THE GOP-DOMINATED PRESS WHICH COMMENTED FAVORABLY ON THE CREATION OF THE SOCIAL PROPERTY SECTOR'S FIRST ENTERPRISE TO GO INTO OPERATION. NORMETAL WAS ORGANIZED LAST FALL, PRIOR TO THE ANNOUNCEMENT OF THE SIX OTHER SOCIAL PROPERTY ENTERPRISES "IN FORMATION", REPORTED REF-TEL. IT IS NOT CLEAR HOW MUCH OF THE NEW ENTERPRISES' CAPITAL COMES FROM NEW SOURCES, AND HOW MUCH HAS BEEN OBTAINED FROM THE ASSETS OF THE SANTA CORPORATION WHICH WERE OBTAINED BY THE GOP. IT MAY BE RECALLED THAT THE SOCIAL PROPERTY LAW EMPHASIZED THAT IN MOST INSTANCES NEW COMPANIES WOULD NOT BE FORMED FROM EXISTING COMPANIES BUT WOULD BE CREATED FROM NEW ASSETS. "NORMETAL EPS" MAY BE THE EXCEPTION THAT PROVES THE RULE, SINCE ALL THE OTHER EPS WHOSE FORMATION HAS BEEN OR WILL BE ANNOUNCED SHORTLY ARE NEW COMPANIES, NOT ENTERPRISES RECONSTITUTED FROM FORMER FIRMS. IN THIS REGARD, DURING RECENT PUBLIC DIALOGUE WITH GOP MINISTERS, GOP PUBLISHED RESPONSES TO VARIOUS QUESTIONS ON SOCIAL PROPERTY, WHICH NOTED, INTER ALIA, THAT GOP HAS S/.3 BILLION (\$70 MILLION) IN HAD FOR INVESTMENT BY THE STATE IN THE SECTOR. PRIVATELY, HOWEVER, SOCIAL PROPERTY OFFICIALS INFORM US THAT IT IS NOT YET CLEAR THAT THE GOP WILL BE ABLE TO INVEST THIS TOTAL AMOUNT DURING THE PRESENT TWO YEAR BIENNIAL.

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## Message Attributes

**Automatic Decaptoning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, INDUSTRIAL DEVELOPMENT, ECONOMIC PROGRAMS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 23 APR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975LIMA03334  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750143-0579  
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**Line Count:** 90  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION ARA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 LIMA 1653  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** GolinoFR  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 11 SEP 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <11 SEP 2003 by CunninFX>; APPROVED <20 OCT 2003 by GolinoFR>  
**Review Markings:**  

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** DEVELOPMENTS IN SOCIAL PROPERTY SECTOR  
**TAGS:** EGEN, EINV, PE  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006